NOTES.

WITHDRAWAL OF THE TREASURY NOTES OF 1890.

THE process by which the treasury notes of 1890 are being retired, and silver certificates taking their place has an intimate bearing on the present deficit of the treasury as well as on the future of monetary reform. As is probably known, the act of 1890 in respect of the treasury notes required that "no greater or less amount shall be outstanding at any time than the cost of the silver bullion and the standard silver dollars coined therefrom, then held in the treasury purchased by such notes." Behind the notes are held bullion in large part and a relatively small sum of coined silver dollars; estimating this bullion at its cost, and adding the silver dollars at their face value, the total is the sum to which the treasury notes outstanding must be kept equal. If notes are redeemed by silver dollars (not gold), then the bullion at its cost, plus the dollars at their face value, is less than the outstanding notes, and a corresponding amount of the notes must be retired. If these silver dollars ever return, silver certificates are issued for them. As treasury notes are reduced, silver certificates (or silver dollars which they represent) take their place.

Since the profit on the seigniorage in turning silver bullion into coins is over 50 per centum it is evident that by pushing the coinage of bullion into dollars, and expediting their exchange for treasury notes the treasury is making a profit of the seigniorage which is covered into the general balances of the treasury. For instance, during the last twelve months, the coinage of silver dollars out of this bullion has been over 21 million dollars. Hence the Secretary may gain a credit for his deficit of over ten million dollars. If this should go on rapidly, the Secretary might conceivably change his deficit into a surplus. By changing one form of assets to another form, without adding to their actual value, he is nearly doubling their nominal value as treasury assets—since a silver dollar is nominally an acquittal of a silver certificate when presented. The effect of the process may be shown, if treated as finally closed, by the following figures:

(1). Treasury notes, as now, *e. g.*......$100,000,000	Bullion at cost, say......	$90,000,000
	Silver dollars, say.......	10,000,000
(2). Treasury notes, all redeemed, and instead an issue of silver certificates....$190,000,000	Bullion coined into dollars at a seigniorage of 50 per centum........	$180,000,000
	Silver dollars, as above..	10,000,000
		$190,000,000

By this method, the secretary might, when the whole process is completed increase his nominal assets by over 90 million dollars. And the speed with which this is now going on, may well give the country some alarm.

While it may be laudable to reduce the nominal deficit, it can by no means be accepted that this is the proper method to adopt. Looking to the future, and to the necessity of maintaining the silver dollar at par with gold, this means that instead of being obliged to support the present sum of about 450 million of silver dollars at par, this amount will be increased by about 200 million dollars, and to that extent will conservative measures of reform be jeopardized. It does not meet the point to say that the treasury has the legal means in the form of silver dollars to cover the increased amount of silver certificates, and that its assets are enlarged exactly as fast as its liabilities. For, there still remains the obligation — behind all this silver coinage — to keep the silver dollars themselves at par with gold; and if the total amount is increased to 650 million dollars the direct burden upon the gold reserve of the treasury is thereby made heavier. Such a policy is laying up danger for the future. Far better redeem the treasury notes at present in gold, and thereby keep their amount intact, without practically acting in such a way as would a new statute increasing our silver circulation by 200 million dollars. If the plan of the Monetary Commission should be adopted, it is probable that 450 million dollars of this silver circulation could he cared for without danger that it would come back on the treasury for redemption; but it is not likely that this would hold true of 650 million dollars. And, at the present rate, it is highly probable that before any reform legislation will be passed, the largest part of the bullion behind the treasury notes of 1890 will have been coined; and a damage will then have been done which cannot easily be remedied.

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